

*Cia Legislation*

The Director

7 April 1948

General Counsel

Proposed Legislation

1. The General Counsel of the House Military Affairs Committee has informed us by telephone that the Committee may be interested in four particular questions concerning the need for our proposed legislation. They are listed below with information which should serve to form general answers:

(a) HOW HAS CIA FUNCTIONED WITHOUT THE AUTHORIZATION CONTAINED IN THE PROPOSED LEGISLATION?

CIA began to function as CIG on 22 January 1946. Through the remainder of that fiscal year, its operations were small, and administrative support came from the departments from which personnel were assigned and from the Strategic Services Unit of the War Department, which had been assigned the task of liquidating the affairs of OSS and preserving for future use such assets as might be of use for whatever agency was to control the national intelligence. The funds transferred from OSS to SSU were adequate for this support.

In the budget hearings in the Spring of 1946, funds for the support of CIG were earmarked in certain portions of the appropriations for State, War, and Navy. A majority of the funds were in the War Department appropriation in the provision for contingencies. At the request of the NIA and with the concurrence of the Treasury Department and the Bureau of the Budget, the Comptroller General authorized the establishment of a Working Fund to which the earmarked portions of the appropriations were transferred for expenditure by CIG. A similar arrangement was followed for the fiscal year 1948. Administration under this procedure was extremely difficult because of varying limitations in the different appropriation acts. Only through the splendid cooperation of the Comptroller General's Office and the other departments and agencies concerned were interim procedures devised for proper administration of these funds. Even with such cooperation, continual problems of administration were encountered, and operations were hampered.

by restrictions on the use of funds. It was partly due to the Agency's needs and partly due to the suggestion of the Comptroller General's Office that this legislation was drafted to provide a proper legal basis for administration of the Agency's functions.

(b) WHAT FEATURES OF THIS BILL HAVE NO PRECEDENT IN EXISTING LAW FOR ANY OTHER BRANCH OF THE GOVERNMENT?

Section 6(a) (page 8, line 11, et seq.) is believed to be without exact precedent in permitting free transfer of funds to and from the Agency and permitting expenditures of funds transferred to the act under the authority of the proposed legislation without regard to limitations of the original appropriation. It is believed that this Section is necessary to preserve the security of funds made available to the Agency while providing a clear basis for their expenditure.

Section 6(f) (page 9, line 19, et seq.) provides in the interest of security an exception from the disclosure required by law of the size of the Agency and the functions of its officers. It is believed that this provision is without precedent but is again an essential security measure.

Section 7(a)(1) (page 10, line 18, et seq.), setting forth the purposes for which sums made available to the Agency may be expended has a novel feature in that it will, in effect, be permanent appropriation language for the Agency. This is required because it is proposed that there will be no specific annual appropriations to the Agency in the interest of security and that by these provisions there will be language on which Agency expenditures may be based and on which audits can be made. All other features of the bill have one or more known precedents.

25X1

(d) WHAT SAFEGUARDS ARE PROVIDED IN THE SPENDING OF MONEY BY CIA?

All proposed expenditures are reviewed by a Projects Review Committee, which makes recommendations thereon to the Director. All vouchered expenditures are audited within CIA by representatives of the General Accounting Office especially detailed for that purpose. For unvouchered expenditures, the Director has appointed Special Funds' officers as his personal representatives for their administration. Recognizing, however, that he has sole ultimate responsibility for the propriety of unvouchered expenditures, he has laid down detailed rules and regulations outlining the purposes for expenditure and the controls and approvals which will apply. He has appointed Certifying Officers who are responsible for auditing all unvouchered expenditures to see that they come within these regulations. If there is doubt as to compliance with regulations, the Certifying Officer may refer any question to the Office of the General Counsel for review and recommendation to the Director. Any exceptions or unusual circumstances require personal action by the Director. As a further safeguard, the Director has appointed an Executive for Inspection and Security with a staff of auditors and fiscal experts, who make periodic general inspections of all books and accounts and such special investigations as the Director may require.

All officers of the Agency involved in the expenditure of unvouchered funds are informed that misuse of such funds may subject them to personal liability or prosecution under applicable law.

LAMAR MOE R. HOUSTON